

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ISO-00 AID-20 CEQ-02

CIAE-00 COA-02 COME-00 DODE-00 EB-11 EPA-04 INR-10

IO-14 L-03 NSF-04 NSC-07 NSAE-00 PM-07 RSC-01 SCI-06

SS-20 SP-03 FEA-02 PA-04 USIA-15 PRS-01 DRC-01 /212 W

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P R 020948Z APR 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 1430

INFO AMEMBASSY KUWAIT PRIORITY

AMEMBASSY JIDDA

AMEMBASSY BEIRUT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLO

AMEMBASSY TOKYO

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY VIENNA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY RIO DE JANIERO

AMCONSUL DHAHRAN

USINT ALGIERS

C O N F I D E N T I A L ABU DHABI 0377

BEIRUT PASS BAGHDAD: KUWAIT PASS DOHA AND MUSCAT: PARIS FOR OECD

EO 11652: ADS (DCON MARCH 23, 1976)

TAGS: ENRG, TC

SUBJ: ABU DHABI OIL AUCTION

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REF: ABU DHABI 0331

SUMMARY: APRIL 2 HAS BEEN SET AS NEW DEADLINE FOR RE-AUCTION OF ABU DHABI PARTICIPATION CRUDE. IN HOPE OF REALIZING FULL POSTED PRICE FOR 125,000 BPD OF ITS PARTICIPATION CRUDE,

NATIONAL OIL COMPANY, HAD REINVITED HIGHEST ORIGINAL BIDDERS, PLUS NUMBER OF US COMPANIES UNINTERESTED IN AUCTION AS LONG AS EMBARGO WAS IN EFFECT. AS FURTHER INDUCEMENT TO PROSPECTIVE BIDDERS SALES PERIOD LENGTHENED FROM NINE MONTHS TO TWO YEARS WITH LONGER TERM DEALS SAID TO NEGOTIABLE. AMONG THE INVITEES, SHAHEEN NAT RESOURCES REPORT-EDLY SEEKING LONG TERM CRUDE CONTRACT, AND RUMANIAN GOVERNMENT PUR-SUING OIL DEAL IN HOPE OF GAINING COMML AND POLITICAL Foothold IN UAE.

SOME OF MORE KNOWLEDGEABLE OIL TECHNOCRATS REMAIN DOUBTFUL ABU DHABI CAN ACHIEVE FULL POSTED PRICE FOR ITS OIL.

1. EMB HAS LEARNED FOLL ADDITIONAL DETAILS ABOUT RE-AUCTION OF ABU DHABI PARTICIPATION CRUDE REPORTED REFTEL.

2. NEW DEADLINE ESTABLISHED BY ABU DHABI NATIL OIL CO. (ADNOC) IS APRIL 29 BEGINNING MARCH 25, ADNOC DISPATCHED TELEX MESSAGES TO SELECT NUMBER OF OIL FIRMS WHO PARTICIPATED IN FIRST ROUND OF BIDDING. BASIC CRITERIA FOR BEING REINVITED BY ADNOC TO TENDER WERE: A. SUBMISSION OF FIRM PREVIOUS OFFER TO PAY IN NEIGHBORHOOD OF 93 PERCENT OF POSTED PRICE FOR PARTICIPATION CRUDE. B. A FEW FIRMS REPRESENTING COUNTRIES IN POLITICAL GOOD-GRACES OF UAEG, BUT WHOSE BIDS WERE REJECTED FOR ONE REASON OR ANOTHER IN INITIAL ROUND.

3. A. IN ADDITION ADNOC HAS INVITED NUMBER OF AMERICAN FIRMS, WHO HAD INDICATED INTEREST IN ABU DHABI CRUDE ONLY IF EMBARGO WERE WITHDRAWN. UNDERSTAND REQUESTS TO BID WENT OUT TO TOTAL OF 31 FIRMS, INCLUDING ONE OR MORE FRENCH FIRMS, A SWISS OIL CO. REPRESENTING HOLDER BANK, AT LEAST THREE JAPANESE COMPANIES (IDEMIS-TSU, MISTSUBISHI AND SHOWA); WINTERSHALL AND SAARBERGWERK (GERMAN), PETROBAS (BRAZILIAN) AND RUMANIAN GOVT. LATTER SAID TO BE SEEKING 2.5 MILLION BARRELS OVER TWO YEARS PERIOD (3,5000 BPD). IN LAST ROUND RUMANIANS (WHO ARE USING EVERY STRATEGEM TO GAIN COMML AND POL. FOOTHOLD IN UAE), REPORTEDLY OFFERED DOLS. 10.50 PER BARREL, BUT ADNOC REJECTED THEIR BID.
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B. AMONG NUMBER US FIRMS ASKED TO PARTICIPATE IN AUCTION ARE: CHARTER, WHICH AMONG HIGHEST BIDDERS IN INITIAL ROUND; PHILLIPS; AMOSEAS, AND SHAHEEN NATURAL RESOURCES. LATTER DID NOT BID IN PREVIOUS ROUND BUT IT WAS ACTIVE IN BIDDING A YEAR AGO. SHAHEEN REPORTEDLY SEEKING 200,000 BPD OF ABU DHABI CRUDE AND HAS OFFERED PAY FULL POSTED PRICE PLUS A PREMIUM, IF ADG WILL ENTER INTO BINDING 10 YEAR CONTRACT. PRESUMABLY, SHAHEEN SEEKING LONG TERM DEAL IN ORDER LINE UP ASSURED SUPPLY OF CRUDE FOR ITS CANADIAN REFINERIES.

4A. ADNOC HAS INCREASED AMOUNT OF PARTICIPATION OIL OFFERED FOR SALE TO 125,000 BPD BEGINNING IN MAY. THIS IS INCREASE OF 25,000 BPD OVER AMOUNT OFFERED AT PREVIOUS AUCTION AND REFLECTS ANTICIPATED ADDITIONAL OIL THAT WILL BE AVAILABLE TO ABU DHABI GOVERNMENT AS RESULT EXPECTED SHARP INCREASE IN EMIRATE'S PRODUCTION.

B. ANOTHER ATTRACTIVE INDUCEMENT FOR PROSPECTIVE BIDDERS IS CONTRACT PERIODS FOR ANY DEALS LENGTHENED AGAIN - THIS TIME FROM NINE MONTHS (SEE PARA 3 REFTEL) TO TWO YEARS, AND WE UNDERSTAND ADNOC QUIETLY PASSING WORD TO SERIOUS BIDDERS THAT CONTRACT BEYOND TWO YEAR PERIOD IS NEGOTIATABLE.

4C. ADNOC HAS MADE IT CLEAR IN MESSAGES TO ALL BIDDERS THAT IT SEEKING POSTED PRICE OR VERY CLOSE THERETO. THIS HAS BEEN INTERPRETED FOR EMB AS MEANING ANY COMPANY'S OFFER LIKELY WILL BE CONSIDER

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ED IF IT IS WILLING TO PAY PRICE EQUALLING AT LEAST 93 PERCENT OF POSTED. KEY BENCH MARK FOR AD IS 98 PERCENT JAPAN LINES PAYING FOR ITS PART CRUDE. FOR BEST QUALITY MURBAN CRUDE, 9 PERCENT OF POSTED WORKS OUT TO DOLS 11.75 PER BARREL, ALTHOUGH SOME OIL TECHNOCRATS IN ADNOC CONTINUE DOUBT ABU DHABI WILL ACHIEVE FULL POSTED PRICE FOR SALE

OF ITS OIL IN PRESENT MARKET. HOWEVER, SURPRISING NUMBER OF ADNOC BOARD MEMBERS SEEM TO BE CONVINCED THAT GULF CRUDE PRICES WILL RISE CONSIDERABLY HIGHER BEFORE LEVELING OFF.
GRIFFIN

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